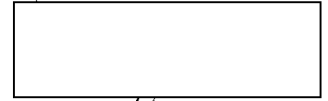


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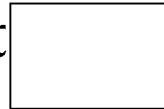
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# International Narcotics Situation Report



*August 1992*

CIA | DI ----- | INSITREP 92-004

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August 1992

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**International Narcotics  
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August 1992

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1      Perspective—Have Cocaine Flows to the United States Peaked?—A Speculative  
         Assessment [redacted]

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5      Peru-Ecuador: Emerging Opium Cultivation and Processing [redacted]

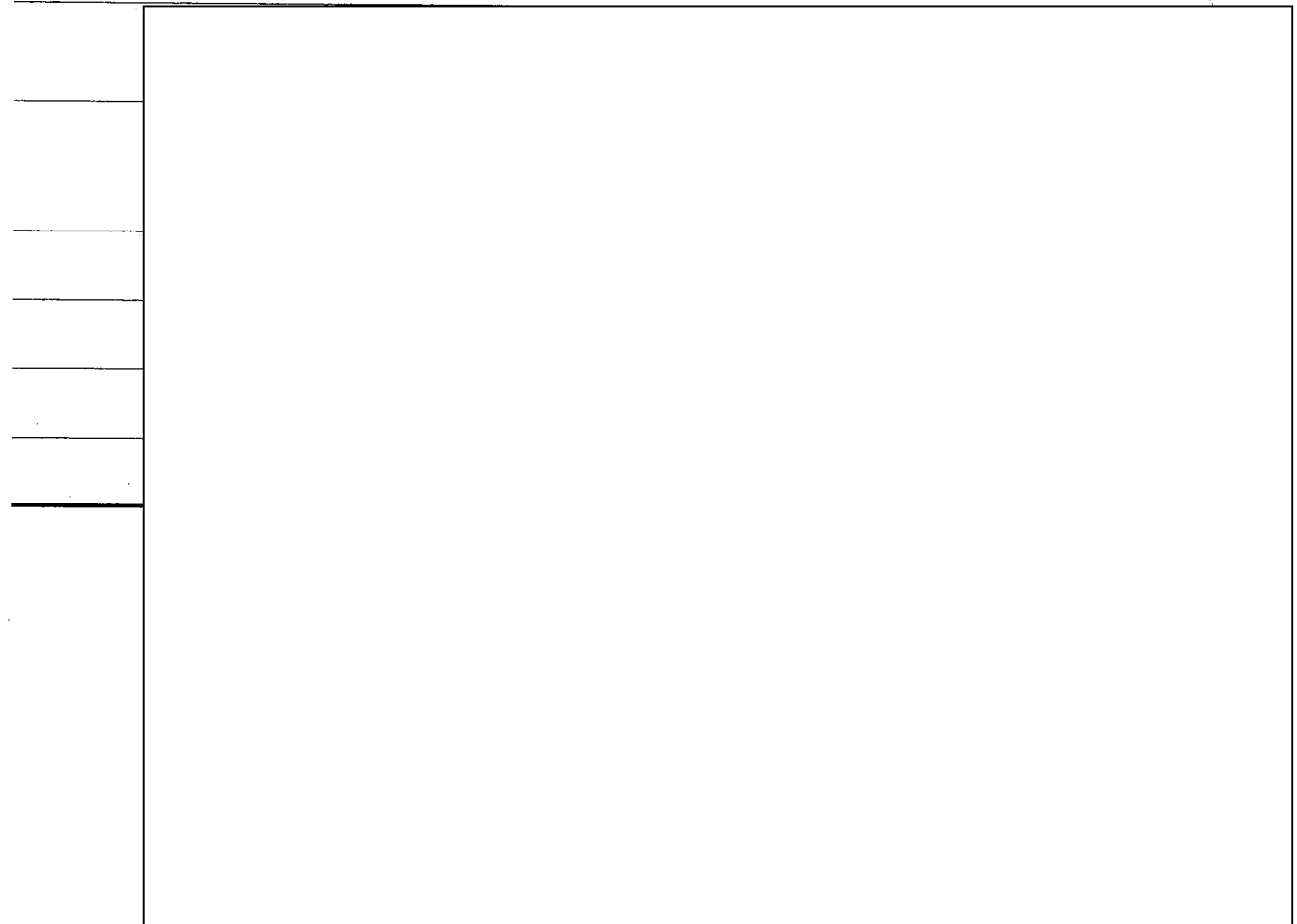
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7      Peru Steps Up Antidrug Activity [redacted]

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11     Mexico: Salinas Grapples With Corruption [redacted]

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**International Narcotics  
Situation Report** ☐

August 1992

**Perspective**

**Have Cocaine Flows to the United States Peaked?—A Speculative  
Assessment** ☐

A review of admittedly imprecise cocaine production, seizure, and other data for the past four years suggests that the cocaine flow to the United States may have contracted by about 20 percent between 1988 and the end of 1991. ☐

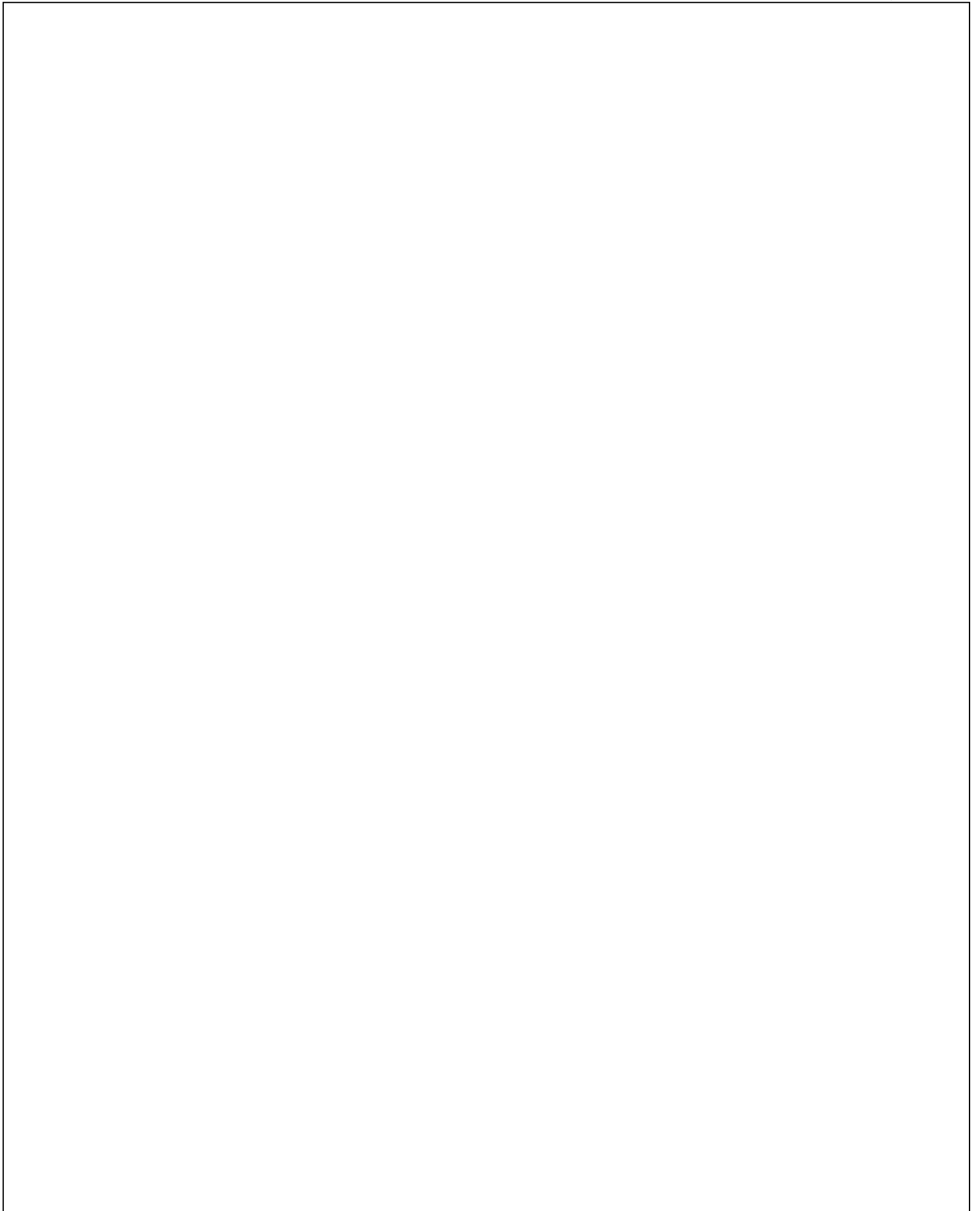
**Indicators Suggest a Reduction in Flows**

Seizures of cocaine and European cocaine consumption have been rising faster than cocaine production:

- Captures of cocaine in 1988 represented about 15 percent of estimated total production potential; by 1991, seizures had risen to more than 30 percent of potentially available cocaine.
  - Two countries—Colombia and Mexico—accounted for nearly two-thirds of Latin American seizures and almost 40 percent of worldwide seizures in 1991.
  - We estimate that the cocaine market in Europe, though significantly smaller than in the United States, has nearly tripled since 1988.
  - In contrast, cocaine production potential in Latin America has grown relatively slowly—by our estimate, rising less than 15 percent since 1988.
- (S NF)

This picture of a contracting cocaine trade to the United States is consistent with other tentative indicators that trafficking is stagnating or declining:

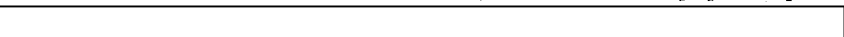
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- Surveys by the National Institute of Drug Abuse show an overall decline in cocaine users from 1988 to 1991—about a 35 percent reduction in past-month users, for example—despite some upturn in 1991. While the surveys do not provide estimates of cocaine consumption, a decline in users plausibly suggests that consumption is flat or falling.
  - According to Drug Enforcement Administration reporting, cocaine prices in the United States have risen somewhat since 1988. Though price trends are difficult to interpret, this increase, against a backdrop of stagnant consumption, could reflect a tightening of cocaine supplies. ☐





### Projections for 1992

Indicators for 1992 are mixed so far but point to the probability of flat or declining cocaine supplies to the United States. We foresee a slight fall in coca production this year—the result of a downturn in cultivation in 1990 and 1991. We also believe that the European market is continuing to grow, and we expect seizures to surpass the record figure reached in 1991. However, cocaine seizures in Latin America have fallen off this year. Mexico, which has had equipment problems,

 are well behind last year's seizure pace. At the present rate, they will capture a combined total of about 80 metric tons of cocaine, down from 127 metric tons last year—though seizures may rebound at the end of the year, much as they did in the last quarter of 1991. On the other hand, according to preliminary Drug Enforcement Administration data, US federalwide seizures are up considerably—80 metric tons in the first half of fiscal year 1992, compared to 108 metric tons for all of FY 91. If this rate continues, US seizures would more than offset a decline in Latin America and would result in a net drop in cocaine available for the US market.



## **Mexico: Salinas Grapples With Corruption**

President Salinas has taken a strong stand against official corruption, much of it narcotics related, to polish his image, rebuild public confidence in the ruling Institutional Revolutionary Party (PRI), and garner support for major economic reforms, including a free trade pact with Washington. Salinas's anticorruption measures, more extensive than those implemented by previous administrations, include both major institutional reforms and specific steps to reduce opportunities for graft among government bureaucrats. Overall, Salinas's activist stance is paying dividends; the ruling party's recent rise in popularity is partly attributable to the administration's fight against corruption, and businessmen at home and abroad see these reforms as part of Mexico's commitment to improve the investment climate.

The President will continue to press ahead with his campaign, although he is likely to follow a gradual approach, in dealing with narcotics corruption to

### **The Campaign Against Corruption**

President Salinas has made war on official corruption a key component of his effort to modernize Mexico. The campaign is designed to increase government

Protesters in Mexico City put up this sign in front of the US Embassy this spring and staged a hunger strike to call attention to the ongoing problem of police corruption. [ ]



revenues and efficiency, improve the business climate, and rekindle popular support in the ruling Institutional Revolutionary Party (PRI). Salinas also realizes that cracking down on narcotics-related corruption is necessary to boost his government's antidrug performance. The campaign encompasses both high-profile direct initiatives, such as removing suspect personnel from office and reorganizing entire bureaucracies, and indirect measures like changing governmental procedures and regulations that have cut into opportunities for revenue skimming by federal and state officials. [ ]

#### Direct Measures

To drive home the seriousness of his anticorruption stance, Salinas, early in his tenure, moved against several powerful and corrupt individuals, netting both public officials and private-sector offenders. Within the first several months of taking office, for example, Salinas jailed the corrupt leader of the large and influential oil workers' union, and the director of a major Mexican stockbrokerage house, who purportedly had embezzled millions of dollars. A former Agricultural Secretary also was barred from government service for 10 years for failing to meet federal requirements for full disclosure by public officials of all

property holdings. Moreover, in a surprise move, Salinas nabbed Miguel Angel Felix Gallardo, Mexico's top drug trafficker [ ]

Although the number of high-profile arrests has tapered off, the administration continues aggressively to pursue government officials accused of corruption. [ ]

[ ] We calculate that more government and police officials have been fired or jailed on charges of impropriety—perhaps as many as 3,000—in the first three years of Salinas's term than during the entire six-year administration of his predecessor, Miguel de la Madrid. [ ]

As part of his direct attack on corruption, Salinas launched an unprecedented reform of the Mexican Customs Bureau [ ]





### Assessing the Results

Measured against Salinas's original targets—polishing his own and the ruling party's image and helping improve the investment climate—the administration's anticorruption campaign has paid substantial political dividends. The public perception that Salinas is doing more on this front than his predecessors probably aided the ruling party's strong performance in mid-term elections last year.

The private sector, in particular, has given Salinas's anticorruption campaign high marks, hailing the reduction of official overstaffing and redtape. Many businessmen say that they have seen corruption levels recede measurably in the past two years and have cited Customs as a particularly good example of "an agency that has cleaned up its act." Business leaders also have expressed satisfaction with the results of Salinas's port reorganization, saying that the move has reduced cargo-handling costs while increasing duty revenues for the government.

make additional cuts in the bloated federal bureaucracy; indeed, recently announced agricultural reforms make the Ministry of Agrarian Reform a candidate for dissolution. Nevertheless, because of the public praise for his direct efforts to reform operations at the port of Veracruz, we expect the President soon to implement similar moves at other key ports, such as Manzanillo and Mazatlan. Similarly, the encouraging results of Salinas's Customs Service reforms are likely to engender further measures that improve collection of duties at border crossings. In addition to helping sustain public confidence in his administration, such steps probably will work in the PRI's favor in gubernatorial elections this year.

#### **What Lies Ahead**

Salinas clearly recognizes that corruption remains a serious problem, and we believe he will continue trying to reduce official graft. We expect Salinas to favor indirect tactics such as streamlining government regulations. Such tactics dovetail with efforts to modernize the Mexican economy and probably will prove less costly politically. The President also is likely to



